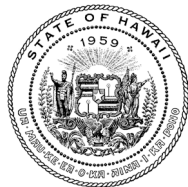


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII 'I
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 'I 96809
PHONE NO: (808) 587-1540
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

TESTIMONY OF GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2805, S.D.2, H.D.1, Relating to Agriculture

BEFORE THE:

House Committee on Finance

DATE: Thursday, April 2, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2805, S.D.2, H.D.1, for your consideration.

S.B. 2805, S.D.2, H.D.1, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), establishing a nonrefundable "agricultural investment tax credit" based on an unspecified percentage of a qualified taxpayer's qualified agricultural costs, up to an unspecified maximum dollar amount per taxpayer, per taxable year, and also limits the total dollar amount of tax credits allowed per taxable year to an unspecified aggregate cap amount. A taxpayer whose claim is disallowed due to the aggregate cap being reached is eligible to claim the credit in the subsequent year, and excess credit may be carried forward for a maximum of five years.

The Agribusiness Development Corporation (ADC) is designated to certify the credit, administer the per taxpayer credit limit and aggregate cap amount, and issue certificates to the taxpayer, to be filed with their tax return, verifying the qualified agricultural costs and credit amount for the taxable year. The bill also requires taxpayers to prequalify with the ADC prior to incurring costs, and provide the ADC with a written, sworn statement with specific project information, no later than March 31 after the end of the taxable year.

In the case of a partnership, S corporation, estate, or trust, the credit is computed and determined at the entity level, with distribution and share determined by rule. If a deduction is taken under section 179 of the Internal Revenue Code, no credit will be allowed for those same costs, and no other tax credit or deduction may be claimed based on the same costs used to claim this credit.

Definitions are provided for “net income tax liability” and “qualified agricultural costs.” A “qualified taxpayer” is defined as “any person with a commercial agricultural, silvicultural, or aquacultural project with qualified agricultural costs of not less than” an unspecified dollar amount, on not less than an unspecified number of acres.

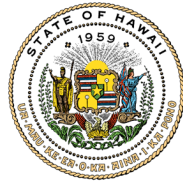
The measure has a defective effective date of July 1, 3000, and applies to taxable years beginning after December 31, 2026. The Act will be repealed on January 1, 2031.

DOTAX recommends that the effective date be amended to apply to “costs incurred after December 31, 2026” instead of “taxable years beginning after December 31, 2026.”

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



State of Hawai'i
DEPARTMENT OF AGRICULTURE & BIOSECURITY
KA 'OIHANA MAHI'AI A KIA'I MEAOLA
1428 South King Street
Honolulu, Hawai'i 96814-2512
Phone: (808) 973-9560 FAX: (808) 973-9613

SHARON HURD
Chairperson
Board of Agriculture & Biosecurity

DEAN M. MATSUKAWA
Deputy to the Chairperson

**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE AND BIOSECURITY**

BEFORE THE HOUSE COMMITTEE ON FINANCE

**THURSDAY, APRIL 2, 2026
2:00 PM
CONFERENCE ROOM 308 & VIDEOCONFERENCE**

**SENATE BILL NO. 2805, SD2, HD1
RELATING TO AGRICULTURE**

Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 2805, SD 2, HD1. This bill establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support expansion of agricultural crops that take longer to become productive. The Department supports this bill.

Incentivizing investment in agricultural production, infrastructure and supporting expansion of longer maturing crops through the use of tax credits will help expand local food production and make agricultural operations more sustainable. The agricultural industry is very capital intensive and requires significant upfront costs to start-up or expand operations. These costs can include acquisition of land, irrigation water development, purchase of equipment and construction of facilities. Orchard and perennial crop development adds further time and expense before any returns can be realized and can discourage many new and potential farmers.

Having a state tax policy that encourages development of farm operations and planting of long-term crops will encourage investment in these types of crops and will broaden the state's economy, reduce food prices, diversify crop production and support the long-term viability of agriculture in the state. Establishing this tax policy helps move the state towards its goal of food self-sufficiency, reduce its reliance on food imports and could be used for development of crops targeted for export.

Thank you for the opportunity to testify on this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



WENDY GADY
EXECUTIVE DIRECTOR

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
HUI HO'OU LU AINA MAHIAI

TESTIMONY OF WENDY L. GADY
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE HOUSE COMMITTEE ON FINANCE
April 2, 2026
2:00 p.m.
Conference Room 308 & Videoconference

SENATE BILL NO. 2805, SD2, HD1
RELATING TO AGRICULTURE

Chairperson Todd, Vice Chair Takenouchi, and Members of the Committee:

The Agribusiness Development Corporation supports S.B. 2805 SD2 HD1 to extend the Agricultural Investment Tax Credit to overcome Hawai'i's unusually high cost of farming and attract private investment.

Agriculture in Hawai'i is extremely **capital-intensive**. Farmers must invest heavily upfront in land, irrigation systems, fencing, equipment, greenhouses, processing facilities, and cold storage—while also facing high costs for labor, energy, shipping, and regulatory compliance. These large initial investments come **years before any return**, especially for orchard and fruit crops. Tree crops like mango, citrus, or avocado can take **3–7+ years to produce commercially viable yields**, meaning capital is tied up long-term with no immediate revenue, increasing financial risk and discouraging investment.

The tax credit helps offset these realities by making it more feasible to:

- Build and modernize infrastructure
- Expand processing and storage capacity

- Improve water efficiency and climate resilience
- Support new and beginning farmers

Without this incentive, many agricultural projects—already operating on thin margins and long timelines—would not move forward.

Other states, such as Minnesota, Iowa, California, and New York, show that similar programs successfully drive investment, expand farm access, create jobs, and strengthen rural economies—particularly by supporting these kinds of high-cost, long-horizon agricultural investments.

While there are concerns about reduced tax revenue, the credit functions as a targeted economic development tool: it only applies when real investments are made and helps generate broader economic activity, including jobs, tax revenue, and increased local food production.

Overall, the Agricultural Investment Tax Credit is critical for making capital-heavy, slow-return agricultural ventures—especially orchard and fruit production—financially viable, while advancing Hawai'i's food security and long-term economic resilience.

**Testimony to the House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair**

**Thursday, April 2, 2026, at 2:00PM
Conference Room 308 & Videoconference**

RE: SB2805 SD2 HD1 Relating to Agriculture

Aloha e Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 2805 Senate Draft 2 House Draft 1 (SB2805 SD2 HD1), which establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support the expansion of agricultural crops that take longer to become productive.

SB2805 SD2 HD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for 21st Century Agriculture. This pillar aligns with this bill in its intent towards long term food systems resilience and reduced infrastructural costs for Hawaii's farmers. This bill contributes towards such resilience by decreasing the burden incurred by farms for long-term investments. For an industry that is already limited by high operating costs, labor shortage, and limited land availability, this legislation provides important relief that will directly increase the state's agricultural productivity. Further, diversifying and expanding our local food basket with this tax credit advances several other statewide economic initiatives, such as increase tax revenue generation, expanding value-added production and exports, and encouraging private sector investment.

For Hawaii to improve its food resilience and self-sufficiency, it must maintain a diverse food basket. By incentivizing this diversity, this legislation helps to make a broader variety of local produce available to the market for direct sale or for value-added production, while limiting the risk oversaturation in the market for crops that produce on a shorter cycle with less infrastructural investment required. This tax credit will reduce cost barriers and allow for diverse commodities crops to strengthen their position within the market.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.



Chamber *of* Commerce HAWAII



We respectfully ask to pass Senate Bill 2805 Senate Draft 2 House Draft 1. Thank you for the opportunity to testify.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
THURSDAY, APRIL 2, 2026 AT 2:00 P.M.**

To The Honorable Representative Chris Todd, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

SUPPORT FOR SB2805 SD2 HD1 RELATING TO AGRICULTURE

The Maui Chamber of Commerce supports SB2805 SD2 HD1, as it proposes a targeted tax credit to encourage significant investment in agricultural production, with a focus on crops that require extended periods to reach productivity.

The bill's emphasis on incentivizing investment in crops with longer maturation timelines addresses a critical barrier faced by many local farmers. Such crops often require substantial upfront capital and patience before yielding returns, making them less attractive under current market conditions. By providing a nonrefundable tax credit, the measure encourages both new and existing producers to consider these longer-term investments, which can ultimately contribute to greater food security and economic stability for Hawai'i.

SB2805 SD2 HD1 also supports the expansion of agricultural diversity, which is widely recognized as a best practice for enhancing ecosystem health and reducing vulnerability to pests, diseases, and market fluctuations. Encouraging the cultivation of a broader range of crops can help restore soil health, conserve water, and reduce reliance on imported foods.

We appreciate the opportunity to share our support of this bill and ask that you move it forward.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

April 2, 2026

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON SB 2805, SD2, HD1
RELATING TO AGRICULTURE

Conference Room 308 & Videoconference
2:00 PM

Aloha Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports SB 2805, SD2, HD1, which establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support the expansion of agricultural crops that take longer to become productive.

If Hawai'i is serious about increasing local food production and protecting agricultural lands, we must incentivize long-term investment in agricultural infrastructure and productive capacity. Agriculture is capital-intensive. Irrigation systems, reservoirs, farm roads, processing facilities, equipment, and orchard crop development require substantial upfront investment and often years before returns are realized.

SB 2805, SD2, HD1 establishes a targeted Agricultural Investment Tax Credit that encourages these types of investments. By including costs for water infrastructure, processing facilities, agricultural equipment, and orchard crop and fruit crop development, the measure directly supports the expansion of production capacity across multiple agricultural sectors.

Orchard crops and fruit crops require significant upfront capital and extended periods before generating revenue. Supporting these investments strengthens Hawai'i's long-term food security and helps diversify our agricultural economy.

Reducing the cost of production is essential if we want to reduce the cost of food. Strategic tax policy that encourages reinvestment in agricultural operations helps stabilize farms,

expand acreage under cultivation, and improve competitiveness against imported products.

This measure applies broadly across agricultural sectors, including crop production, livestock, aquaculture, apiary, and silviculture, helping to strengthen the entire agricultural ecosystem.

SB 2805, SD2, HD1 represents a meaningful step toward aligning tax policy with the State's food security and agricultural development goals.

Thank you for the opportunity to provide testimony.



Hawai'i Forest Association
 7192 Kalaniana'ole Hwy
 Suite A-143A, #249
 Honolulu, HI 96825
 Phone: 808/933/9411
 Email: hfia@hawaiiiforest.org

Date: 04/01/26

TO: FIN Chair Todd, Vice Chair Takenouchi, Committee Members Hartsfield, Holt, Hussey, Keohokapu-Lee Joy, Kitagawa, Kusch, Lee, Miyake, Morikawa, Perruso, Templo, Yamashita, Alcos, Gedeon, Oda

FROM: Hawai'i Forest Association (HFA)

SUBJECT: Testimony in Support of SB2805 SD2 HD1 Relating to Agriculture

Dear Chair Todd, Vice Chair Takenouchi and FIN Committee members,

On behalf of the Directors and members of the Hawai'i Forest Association (HFA), please support SB2805 SD2 HD1 Relating to Agriculture.

The HFA has roughly 150 members across the state and connects with thousands more through community outreach events and has seen a recent increased interest and practice of agroforestry both within and outside of our membership. Agroforestry incorporates trees and/or livestock into agricultural landscapes for multiple products and ecological benefits. Meanwhile, silviculture, the science of controlling the establishment, growth, composition, health, and quality of forests and woodlands to meet diverse needs, such as timber production, wildlife habitat, and ecosystem sustainability, is of great interest to HFA. Agroforestry enhances silvicultural efforts through faster early-stage economic returns, and improves tree quality through managed spacing, pruning, and grazing. Integrating agricultural practices with forestry can yield benefits such as improved timber yields, food production, job creation, improved forest health and carbon sequestration. Agroforestry in Hawai'i is already an established and growing practice and includes cultivating of crops such as ulu, cacao, and coffee.

Increased local agricultural production of orchards and fruit crops will be needed to sustain Hawai'i as costs of imported foods increase and as a decrease in global agricultural production due to climate change threatens Hawai'i's food security. Offering tax credits to land owners and managers engaging in the cultivation of perennial crops, especially including agroforestry, is a way to incentivize agricultural production that will benefit Hawai'i's economy and communities for decades to come.

For these reasons, please support SB2805 SD2 HD1.

Mahalo for your time and consideration,

Irene Sprecher, President
 Hawai'i Forest Association

HFA's mission is to promote healthy and productive forests and a sustainable forest industry through management, education, planning, information exchange, and advocacy.

HFA Board of Directors

Officers: President Irene Sprecher, Vice President Taylor Coons, Secretary Nicholas Koch

Directors: Jeremy Campbell, Doug Gordon, Michael Sowards, Aileen Yeh, Aaron Hammer, Tawn Speetjens

HFA's members include woodworkers, landowners, sawmillers, foresters, educators, researchers, arborists, students and more.	50% of HFA members are business owners, employing nearly 150 people across the State.	HFA actively manages five restoration and/or native plant demonstration sites between Hawai'i Island and O'ahu.
HFA members and their employees reside and work in 64 of the 76 Hawai'i House and Senate districts.	HFA members reside across the Hawaiian Islands, with a majority of members on Hawai'i Island and O'ahu, as well as members located in the continental US, Canada and Guam.	HFA, with its sister organization, the Hawai'i Forest Institute, engages in regular outreach and education.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Agricultural Investment Tax Credit

BILL NUMBER: SB 2805 SD2 HD1

INTRODUCED BY: AGR

EXECUTIVE SUMMARY: Establishes a nonrefundable income tax credit to incentivize significant investment in agricultural production and support the expansion of agricultural crops that take longer to become productive. Applies to taxable years beginning after 12/31/2026. Sunsets 1/1/2031. Effective 7/1/3000. (HD1)

SYNOPSIS: Adds sec 235____, HRS, for a nonrefundable investment tax credit of an unspecified per cent of qualified agricultural costs incurred by the taxpayer, up to a maximum of \$_____.

For a partnership, S corporation, estate, or trust, the cost upon which the credit is computed shall be determined at the entity level and the distribution and share of the tax credit shall be determined by administrative rule.

No credit shall be allowed for costs for which a deduction is claimed under IRC sec 179.

No other tax credit or deduction may be claimed under the Income Tax Law for qualified agricultural costs for which a credit is claimed under this section for the taxable year.

The taxpayer is required to prequalify the activity with the Agribusiness Development Corporation before incurring creditable costs. The taxpayer must submit a statement of costs to the ADC no later than March 31 following the end of the taxable year, and the ADC will certify the amount of credits for the taxable year. Notwithstanding the authority of the ADC, DOTAX may audit and adjust the tax credit amount to conform to the facts.

The total amount of tax credits allowed under this section shall not exceed \$_____ for all taxpayers in any calendar year; provided that any taxpayer who is not eligible to claim the credit in a calendar year due to the \$_____ cap having been exceeded for that taxable year shall be eligible to claim the credit in the subsequent calendar year.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information to validate a claim for the credit, and adopt rules pursuant to HRS chapter 91.

If the tax credit claimed exceeds the taxpayer's income tax liability, the excess can be used in subsequent years until exhausted. Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

“Net income tax liability” means income tax liability reduced by all other credits allowed under chapter 235.

"Qualified agricultural costs" means expenditures for:

(1) The plans, design, engineering, construction, renovation, repair, maintenance, and equipment for: (A) Roads or utilities, primarily for agricultural purposes; (B) Agricultural processing facilities where the majority of the crops or livestock processed, harvested, treated, washed, handled, or packaged are from agricultural businesses; and (C) Water wells, reservoirs, dams, water storage facilities, water pipelines, ditches, or irrigation systems in the State, primarily for agricultural purposes;

(2) Feasibility studies, regulatory processing, and legal and accounting services related to the items under paragraph (1);

(3) Equipment, primarily for agricultural purposes, used to cultivate, grow, harvest, or process agricultural products by an agricultural business;

(4) Regulatory processing, studies, and legal and other consultant services related to obtaining or retaining sufficient water for agricultural activities; and

(5) The costs relating to the planting of orchard or fruit-bearing crops on not less than _____ acres, including: (A) The purchase of planting materials, including seeds, transplants, cuttings, and grafted plants; (B) The clearing of and removal of trees and debris; and (C) Tillage, including the preparation and restoration of the soil to correct any nutrient deficiency, planting, weed control, fertilizing, irrigation, and pest management.

"Qualified taxpayer" means any person with a commercial agricultural, silvicultural, or aquacultural project with qualified agricultural costs of not less than \$____, on not less than _____ acres, including: (1) The care and production of livestock and livestock products, poultry and poultry products, apiary products, and plant and animal production for nonfood uses ; (2) The planting, cultivating, harvesting, and processing of crops;and (3) The farming or ranching of any plant or animal species in a controlled salt, brackish, or freshwater environment."

EFFECTIVE DATE: July 1, 2050, for taxable years beginning after December 31, 2026; sunsets on January 1, 2031.

STAFF COMMENTS: First, this measure contains numerous blanks making it difficult to vet in its current form.

This measure provides a tax subsidy to persons with commercial agricultural projects. While a tax credit may incentivize these persons to invest in agricultural production and expand agricultural crops that have longer production periods, lawmakers need to keep in mind two things.

First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when we need money to support social service programs or our state hospitals?

In any event, a direct appropriation to a grant or subsidy program would be more accountable and transparent.

Furthermore, the tax credit would entail resources to implement rules to administer the allowance and monitoring of the credit, implement changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation may be a far less costly method to accomplish the same thing.

Digested: 3/31/2026

SB-2805-HD-1

Submitted on: 4/1/2026 4:51:50 PM

Testimony for FIN on 4/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Amanda Shaw	Agriculture Stewardship Hawai'i	Support	Written Testimony Only

Comments:

In support



Officers

Kaipo Kekona
State President

Christian Zuckerman
Vice-President

Maureen Datta
Secretary

Reba Lopez
Treasurer

Chapter Presidents

Kelii Gannet
Kohala, Hawaii

East Hawaii

Puna, Hawaii

Ka'u, Hawaii

Maureen Datta
Kona, Hawaii

Gina Lind
Hana, Maui

Mason Scharer
Haleakala, Maui

Kaiea Medeiros
Mauna Kahalawai,
Maui

Kaipo Kekona
Lahaina, Maui

Kilia Avelino-Purdy
Molokai

Negus Manna
Lana'i

India Clark
North Shore, O'ahu

Christian Zuckerman
Wai'anae, O'ahu

Rachel LaDrig
Waimanalo, O'ahu

Vincent Kimura
Honolulu, O'ahu

Natalie Urminska
Kauai

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the House Finance Committee,

The Hawaii Farmers Union is a 501(c)(5) agricultural advocacy nonprofit representing a network of over 2,500 family farmers and their supporters across the Hawaiian Islands. **HFU supports and seeks to amend SB2805.**

SB2805 presents an opportunity to support Hawaii's diverse agricultural community by offering a nonrefundable income tax credit aimed at promoting significant investments in agricultural production. This credit stands to play a crucial role in encouraging the cultivation of perennial crops. By providing this tax relief, the bill acknowledges the essential role of long-term crop investments and the barriers many farmers face.

However, it is vital to ensure that the benefits of this tax credit are equitably distributed across the full range of farming operations in Hawaii. The bill as drafted leaves several critical parameters blank. How these blanks are filled will determine whether the credit reaches the farmers who need it most or primarily benefits a small number of well-capitalized enterprises.

Roughly two-thirds of Hawaii's farms are under 10 acres, and just 579 farms gross over \$100,000. Nearly 80% of all farms are family-owned or individually operated. These numbers make clear that Hawaii's agricultural sector is predominantly composed of small-scale, family-run operations. Any investment incentive that sets thresholds too high or fails to account for this distribution risks reinforcing existing disparities rather than broadening the productive base.

The following amendments are offered to help the Committee structure the credit in a manner that is inclusive, equitable, and aligned with the realities of farming in Hawaii.

1. Set Accessible Minimum Thresholds

The "qualified taxpayer" definition in subsection (i) requires a minimum investment on a minimum number of acres. We recommend the blanks be filled as follows.

Amend the definition of "Qualified taxpayer," to read:

Qualified taxpayer" means any person with a commercial agricultural, silvicultural, or aquacultural project with qualified agricultural costs of not less than **\$2,500**, on not less than **one** acre[~~s~~], including:

With two-thirds of Hawai'i farms under 10 acres, a one-acre floor is inclusive of the vast majority of commercial operations while still screening out non-commercial activity. A \$2,500 minimum investment reflects the realistic scale at which a small farmer might invest in drip irrigation, soil amendment, or planting materials.

2. Adopt Tiered Credit Percentages and Per-Taxpayer Cap

Rather than a single flat credit rate, a tiered structure ensures that the credit delivers proportionally greater benefit to smaller investments while still incentivizing larger-scale capital expenditure. A per-taxpayer cap prevents any single entity from absorbing an outsized share of the aggregate pool. Amend Section 2(b) to read:

- (b) The amount of the credit shall be determined as follows:
- (1) Thirty-five per cent of the first \$50,000 of qualified agricultural costs incurred by a qualified taxpayer;
 - (2) Twenty per cent of qualified agricultural costs in excess of \$50,000 but not exceeding \$250,000 incurred by a qualified taxpayer; and
 - (3) Ten per cent of qualified agricultural costs in excess of \$250,000 incurred by a qualified taxpayer;
- provided that the total credit claimed by any qualified taxpayer shall not exceed _____ per taxable year.

Under this structure every scale benefits, but marginal returns decline, ensuring that the aggregate pool is not disproportionately consumed by a small number of claimants. A per-taxpayer cap generous enough to support serious mid-scale investment while naturally limiting concentration of benefits is recommended.

3. Require Commercially Accepted Planting Practices

For the orchard and fruit crop planting costs in paragraph (5) of the "qualified agricultural costs" definition, we recommend adding a standard to ensure the credit supports genuine productive investment rather than nominal planting activity.

Amend the definition of "Qualified agricultural costs," paragraph (5), by adding a new subparagraph to read:

- (D) All planting under this paragraph shall be consistent with commercially accepted practices for the crop;

This standard does not require the legislature to prescribe crop-specific density or spacing requirements. The Agribusiness Development Corporation can apply it during its prequalification review, drawing on University of Hawai'i CTAHR guidance and established agronomic practice.

Additional Considerations

Administration through ADC. The bill routes prequalification and certification through the Agribusiness Development Corporation. Given ADC's historical orientation toward larger-scale agribusiness development, the Committee may wish to ensure that ADC's administrative processes and outreach are designed to be accessible to small and beginning farmers, including those who may lack experience navigating state agency certification processes.

Accountability for long-term crops. Given that the credit specifically targets investments in crops that take longer to become productive, the Committee may wish to consider a provision requiring that land receiving the credit remain in agricultural production for a defined period, for example, five years, with a proportional recapture of the credit if the land is converted to non-agricultural use. This would reinforce the bill's intent while protecting the public investment.

SB2805 SD2 has the potential to meaningfully incentivize agricultural investment across Hawai'i's diverse farming landscape. With the right thresholds, tiered rates, and safeguards, this credit can serve farmers at every scale and advance the constitutional mandate to conserve and protect agricultural lands through active production.

Mahalo for the opportunity to testify.

Hunter Heavilin
Advocacy Director
Hawai'i Farmers Union

Date of Hearing: 2 April, 2026

To: Chair Todd, Vice Chair Takenouchi, and the House Committee on Finance

Subject: SB2805 SD2 HD1, Relating to Agricultural Investment Tax Credit

Aloha,

Hawai'i Food + Policy **supports SB2805 SD2 HD1**, which establishes an Agricultural Investment Tax Credit. Hawai'i Food + Policy is committed to advancing policies that strengthen our local food systems, increase agricultural resilience, and reduce our state's dependence on imported food. SB2805 SD2 HD1 aligns directly with these goals by incentivizing significant investment in agricultural production and supporting the expansion of orchard and fruit-bearing crops that take longer to become productive.

This tax credit could serve beneficial to those producers who are looking to increase soil health and/or expand productivity of grazing lands by planting trees and incentivizing those producers with tax credits that last up to five years. This increased utilization of land for production and to improve ecosystem health is beneficial both economically and environmentally.

The economic potential of replacement 10% of imports suggests that Hawai'i would keep approximately \$313 million within the state and create over 2,300 local jobs.¹ SB2805 SD2 HD1 also seeks to address one of the potential financial barriers for crops that take years to become productive, such as orchard and fruit crops. By providing a credit for "qualified agricultural costs" including irrigation, planting materials, and equipment this bill encourages the long-term investment needed for food security.

Environmentally, we are increasing the resiliency of our land stewards by supporting investments in infrastructure used to maintain land. By putting crops in the ground that may take longer to yield and flip we are also encouraging adding living roots in the ground and shade overhead. Crops that take time to yield may increase the diversity of those crops being cultivated and offered in Hawai'i if expenses could be padded through tax credits to those farmers who need the additional financial incentivization.

For these reasons, Hawai'i Food+ Policy urges the Committee to **pass SB2805 SD2 HD1** as an investment in Hawai'i's agricultural future, food security, and economic sustainability.

Mahalo,

Brandon Kinard & the Food+ Policy Team
#fixourfoodsystem

[1] Office of Planning, Department of Business, Economic Development & Tourism. (2012). Increased food security and food self-sufficiency strategy: A state strategic/functional plan prepared in accordance with HRS Chapter 226. State of Hawaii.

The Food+ Policy internship develops student advocates who learn work skills while increasing civic engagement to become emerging leaders. We focus on good food systems policy because we see the importance and potential of the food system in combating climate change and increasing the health, equity, and resiliency of Hawai'i communities.

In 2026, the cohort of interns are undergraduate and graduate students and young professionals working in the food system. They are a mix of traditional and nontraditional students, including parents and veterans, who have backgrounds in education, farming, public health, nutrition, and Hawaiian culture.

SB-2805-HD-1

Submitted on: 3/31/2026 8:07:24 PM

Testimony for FIN on 4/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT THAT WILL HELP LOCAL FARMERS!!! MAHALO!

SB-2805-HD-1

Submitted on: 3/31/2026 6:55:15 PM

Testimony for FIN on 4/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, Support

2805 SB RELATING TO AGRICULTURE.